

## IPERS' Proposals for Benefit Enhancements

By Greg Cusack  
Chief Benefits Officer

As you may be aware, the Iowa General Assembly periodically reviews the over-all plan design of the State's four public retirement systems (Judicial Retirement System, Peace Officer Retirement System, Municipal Fire and Police Retirement System, and IPERS) and considers whether additional enhancement features are required or desirable. In preparing our recommendations, IPERS has worked very closely with its various employee and employer associations through our Constituent Group.

The members of this Constituent Group are Lowell Dauenbaugh of the Iowa State Education Association; Dr. Gene Gardner of the Iowa Association of Community College Trustees; Dr. Gaylord Tryon of the School Administrators of Iowa; Jenifer Owenson of the Iowa Association of School Boards; Walt Galvin of the Retired School Personnel Association; Diane Reid representing the State's Conservation Officers; Mollie Anderson, Director of the Iowa Department of Personnel; Janie Garr of the IPERS Improvement Association; Mike Campbell of the American Federation of State, County, and Municipal Employees (AFSCME); Bill Hutchins representing the Sheriffs and Deputy Sheriffs' Association; Jim Maloney for the Association of Counties; Terry Dehmlow of the Association of Police; Andi Stewart of the League of Iowa Cities; Larry Zimpleman of Principal Financial Group; and Steve Timmons from the Iowa Department of Management.

These are the major recommendations to the Iowa Legislature for consideration in the session beginning in January 2000, with action taken by the Public Retirement Systems Committee on December 16 indicated in brackets [ / ]:

1. Provide IPERS' public safety employees the same kind of disability benefits enjoyed by those public employees covered by the Municipal Fire and Police Retirement System of Iowa and the Peace Officers Retirement System. This recommendation follows a special study in 1998 calling for *parity* of benefits for all public safety employees. *[Adopted]*
2. Increase the Cost of Living Adjustment (COLA) for members who retired prior to July 1990 from 80% to 100% of the Consumer Price Index (CPI), up to a 3% maximum. As we use the COLA dividend as a target for the *Favorable Experience Dividend* payable to post-June 1990 retirees, this recommendation would also favorably impact them. *[Adopted]*
3. Pass the "Rule of 85" with implementation when the Fund can afford it. This would allow members to retire without any otherwise applicable reduction for "early" retirement if any combination of their age and years of service equaled or exceeded "85." *[Failed to adopt]*
4. Improve the death benefit for the beneficiaries of members who die before initiating retirement by allowing the beneficiary a choice between a lump sum payout or an annuitized benefit stream, based upon the accrued value of the member's benefit at the time of death. This enhancement will also be implemented when the Fund can afford it. *[Adopted]*
5. And, also for our public safety employees, establishing a fixed rate structure by which future enhancements for public safety members can be funded. *[Deferred]*

We are also recommending a number of items which impact decidedly smaller portions of our membership, including:

6. Allowing *adjunct instructors* who work for community colleges the right to elect coverage if they otherwise meet membership criteria and already have an IPERS account; *[Adopted]*
7. Allowing elected officials other than legislators to terminate from their other IPERS-covered positions and retire without having to resign from their elected positions; *[Adopted]*
8. Creating a "pop-up" option for retirement Option 4, to be paid for actuarially by members choosing it; and *[Adopted]*
9. Raising the ceiling on reemployment wages for the approximately 2% of IPERS' retirees under age 65 who return to covered employment from \$12,000 to \$25,000. *[Failed to adopt]*

Your comments and recommendations regarding these, or other, proposals are always welcome. Please direct them to me in care of IPERS' mailing address. Watch for future updates in our web site.

## IPERS Purchases New Headquarters Building

By Leon J. Schwartz  
Chief Operations Officer

IPERS is pleased to announce the purchase of a headquarters facility located at 7401 Register Drive in Des Moines as of November 9, 1999. Following remodeling, IPERS intends to take occupancy of the 45,164-square foot building in the summer of 2000. This facility, completed in 1998, is south of the Des Moines Airport and immediately adjacent to the new Des Moines Register facility in the rapidly expanding Airport Business Park area. The building will have immediate access to the interstate highway bypass that is scheduled to be completed in 2002. "Due to the rapidly increasing land and building values in this area, this building will provide IPERS the best value in the long run," stated Paul Michaels of INVESCO Realty Services. INVESCO is a national real estate management company utilized by IPERS to manage real estate investments and was utilized in the acquisition process.

There were two primary reasons for IPERS to purchase a facility at this time. First, just as most people prefer to own their own home rather than rent, there are long-term cost savings to ownership. The purchase, renovation, and relocation expenses will total \$4 million now, but IPERS has identified a savings of over \$14 million over a twenty-year period to own versus lease a facility. Second, IPERS staff is currently split among three separate facilities, none of which are large enough to accommodate all IPERS staff. IPERS will be able to operate more efficiently with all staff in one location.

The search for a new building for IPERS began a few years ago with an architectural study to identify IPERS' needs and requirements. During the 1998 legislative session, the Iowa Legislature appropriated from the IPERS Trust Fund \$4 million for the purchase, renovation, and relocation of the IPERS headquarters. IPERS will complete this project within the appropriated amount. In addition, some legislators expressed a desire for IPERS to search statewide for a building. In response to this request, IPERS felt it necessary to ask its membership for input on the critical location decision. A survey of members was conducted with the results overwhelmingly showing a desire of the members to have the headquarters building located in the greater Des Moines area.

A competitive bid process was utilized to select the new headquarters facility. Ten bids were submitted during the bid process. Based upon the combination of member desired geographical location, building characteristics, design issues, cost, and timing, facilities were ranked and the top facility was selected. Senator John Kibbie (D) and Representative Mona Martin (R), members of the IPERS Investment Board, both stated that they endorse the process utilized by IPERS to select both the building location and the specific building.

IPERS' staff of 89 serves over 300,000 members and 2,400 public employers by providing them with a safe and secure retirement system. The IPERS Trust Fund's assets must be used exclusively to benefit its public servant members, i.e. school, state, county, and local government employees. It is those employees' retirement monies, not tax monies, that IPERS is holding in trust for them. This purchase fulfills IPERS' fiduciary obligation to safeguard trust fund assets.

As IPERS gets closer to moving into our new facilities, we will be communicating with you to ensure that you are able to find us when you plan your next visit. Feel free to visit our web site at [www.state.ia.us/ipers](http://www.state.ia.us/ipers) for updates on your new headquarters.

## Reminders:

- ✂ **IRS Form 1099-R was mailed to you in January 2000.**
- ✂ **Reemployment:** If you are a retired reemployed member and earn more than \$12,000 in reemployment earnings, contact IPERS immediately.
- ✂ **Internet Access:** Whether you like to travel by land, air or water, we are also available at the following addresses:
- ✂ **Web site:** [www.state.ia.us/ipers](http://www.state.ia.us/ipers)
- ✂ **E-mail:** [info@ipers.state.ia.us](mailto:info@ipers.state.ia.us)

Escalating Member Demands

By Greg Cusack  
Chief Benefits Officer

In an effort to provide you, our members, with “one stop” service when you call (to spare you being transferred from one person to another), we established a “call center” a few years ago which is staffed by experienced counselors (the same folks you see in person when you make an appointment for a visit). Unfortunately, we know that all too many of you have experienced some frustration in trying to contact us by phone in recent months because the phones have been consistently “busy.”

We are experiencing record numbers of members trying to contact us in every conceivable way: by phone, facsimile, mail, and internet. May I suggest the following “tips” to help you get through to us in less time:

- 1. Please try NOT to call on Mondays. This is because “everyone else” is (or appears to be).
- 2. If possible, try NOT to call in the first five days of the month. This is because our retired members who receive monthly benefits tend to call us at this time.
- 3. If at all possible, please call in mid-morning, or in the middle of the afternoon. Many other members have less flexibility and must try to contact us “first thing” in the morning, at the noon hour, or just before “closing” time.

We are amazed at the **geometric** increase in member service demands on our staff. It is true that we are providing much greater volumes of information – and improved services – compared to just a few years ago. Nonetheless, the year-to-year increases are outpacing both our expectations and our ability to respond to our – and our members’ – satisfaction. The most recent numbers cited below are for the fiscal year ending June 30, 1999.

**Phone Calls** – This number has increased phenomenally. Just five years ago, in FY 94, we handled 39,000 calls. Last year it ballooned to 80,000, and this year to just under 100,000. These figures represent answered calls; many other callers, unfortunately, hang up before being connected. *Forecast: In FY 2000 those attempting to call IPERS will likely exceed 130,000.*

**Number of Estimates of Retirement Benefits Prepared** – This is another exploding demand area resulting from people planning for retirement. While most of those making this request are within a few years of actual retirement, some younger members are also requesting these. Five years ago we prepared 15,000, last year 46,000, and this year 66,500. *Forecast: We expect these numbers to “level out” at between 65,000 and 80,000 per year.*

**Counseling In and Outside our Offices** – We have seen similar dramatic increases in member demand for our one-on-one preretirement counseling sessions. We gave personal interviews to 25% more members this year than last year (both at our offices in Des

Moines and throughout the State via our traveling counselors), but with the same number of staff. We believe personal counseling makes a successful retirement far more likely. *Forecast: This demand is likely to continue to also escalate. Judging by the numbers of people we have to turn away during visits around the State, we need to aim at providing one-on-one counseling for an additional 800 persons annually.*

**Group Presentations** – Our traveling counselors spoke before 5,381 persons this year, compared to 1,821 last year. Employers (we have almost 2,400 of them) are the usual sponsors of these group seminars. *We unfortunately cannot currently satisfy all requests for appearances.*

Some other numbers that might be of interest to you are:

**Number of New Retirees** – Over the past 12 years, the number of new retirees annually has ranged from 3200 to 4500. *There appears to be a steady, albeit modest, increase each year in the number of persons taking retirement. We believe this reflects the demographic “bulge” of the “baby boomers” who are just entering, or nearing, retirement. Forecast: Continuation of this steady increase through approximately 2010.*

**Total Number of Retirees** – There were approximately 47,000 retirees in 1987 vs. 64,311 at the end of FY 1999. *Forecast: By 2010, the total retiree population will range from 92,000 to 95,000. Over 32,000 of current retirees are 70 years of age or older. In keeping with national demographic trends, we expect this “older” group of retirees to keep growing in number.*

**Amount Paid in Retirement Benefits** – The size of recent annual increases is predictable, given significant benefit enhancements of the last dozen years. By way of comparison, in FY 89 the total retirement payout was \$169,173,736 vs. \$461,766,375 in the fiscal year just concluded. *Forecast: Annual retirement payouts will range between \$900,000,000 and \$1,200,000,000 in 2010.*

**Average Monthly Benefits** – As of June 1999, the average benefit is \$593.14, while in FY 89 it was \$296.18 per month. IPERS pays a Cost of Living Adjustment to all members who retired before July 1990, and starting in January 1999 also began a new Favorable Experience Dividend (FED) – to be paid to all members who retire on or after July 1, 1990.

**Employer/Employee Contributions** – These contributions, which together with investment returns “fuel” the System and are the means whereby we cover our liabilities, have also grown substantially, from \$216 million in FY 91 to over \$348 in FY 99.

IPERS Investment Returns

By Kathy Comito

For the year ended June 30, 1999, the IPERS Trust Fund achieved a 13.18% investment return. This net-of-fee return exceeded all four of IPERS’ total fund investment objectives, and contributed to growth of the Fund’s portfolio market value to \$15,325,591,028. The strong one-year investment return was due primarily to a 22.87% return in domestic equities and 13.85% in international equities. IPERS’ investment returns for various time periods ended June 30, 1999, compared to the System’s investment objectives, are shown below.

ANNUALIZED RETURNS				
	One Year	Three Years	Five Years	Ten Years
IPERS	13.18%	17.25%	16.68%	12.17%
Objectives:				
Policy Benchmark <sup>(1)</sup>	12.37%	16.16%	15.36%	11.30%
CPI + 3%	4.94%	4.98%	5.34%	5.96%
Actuarial Interest Rate	7.50%	7.50%	7.50%	7.50%
Public Fund Median <sup>(2)</sup>	10.42%	16.04%	16.33%	12.48%
<sup>(1)</sup> The Policy Benchmark is comprised of allocations to passive (index) investments which replicate the asset classes and allocations of the IPERS Trust Fund.				
<sup>(2)</sup> The median investment return for a universe of large public trust funds.				



## Who Are We: The Composition of IPERS’ Membership

By Greg Cusack  
Chief Benefits Officer

Many of you might be surprised to learn that IPERS’ total membership is one-third of a million persons – 316,798 in all, to be precise. Nearly one-half are currently working for an IPERS’ covered employer – 151,108 – while 65,507 are retired. Less than 2% of the latter are again reemployed with a public employer (4,985), while 100,183 have an IPERS account but are not currently working for a covered employer.

One-half of our retirees worked for school districts, while 16% were employed by Iowa’s counties, another 16% by the State of Iowa, and 14% by municipal governments. A small number (4% of the total) worked for “other” employers, such as utilities, community action programs, and programs for the elderly. Most (75%) are relatively recent retirees, have been retired for 15 years or less. A full 39% are 75 years of age or older. The ratio of females to males is 61% to 39%. The oldest retirees are overwhelmingly women, and – in general – men receive slightly higher benefits in retirement, even when allowing for differences in years of service. Almost 50% of our retirees are relatively recent, having retired since June of 1990.

The retirees are almost evenly split – 56% to 44% – between those earning less than \$500 per month in retirement from IPERS and those earning \$500 or more. However, a large minority – 20% – *still* receives less than \$200. The *years of service* a member has when beginning retirement is often one of the key reasons why some retirees receive so much more in retirement than do others. Other important factors include *average of highest wage years used in the formula*, the *actual formula* used at retirement, and, of course, *how long ago* a person retired. This reflects the fact that women on the average receive a lesser salary than do men.

### Numbers – Why Do they Matter?

The reason these numbers are both interesting and useful is *not* so that we can publish academic papers. Rather, they help us examine our plan design to ensure that it is keeping current with underlying changes in our membership. We use this to propose appropriate benefit enhancements or plan design modifications.

Let me give you two recent examples, both from the 1997-1998 legislative cycle, of how such demographic information was used:

Continued on page 4

## Frequently Asked Questions About Direct Deposit

By Michael Ahrens

### Q: How do I start or change my direct deposit?

A: Requests to start or change direct deposit **must be made in writing using IPERS’ direct deposit form**. Please complete the Automatic Electronic Deposit Authorization form on this page and mail or fax it to us. Avoid sending any information on the old account. If you need assistance, contact your financial institution. They can **fax** this information to us at 515-281-0053.

### Q: When do direct deposit requests take affect?

A: We process direct deposit requests as quickly as we can. Requests made after the 18<sup>th</sup> of the month, the payroll “cut off” date, may not take affect until the following month. Due to the volume of requests received, IPERS is unable to provide confirmation of changes.

### Q: How do I know when my check has been deposited?

A: IPERS benefits are paid on the last working day of the month. To confirm that your deposit was made, contact your financial institution.

### Q: How do I stop direct deposit and have checks mailed to me?

A: A request to stop direct deposit **must be made in writing**. Write a note asking IPERS to stop the direct deposit and begin mailing your benefit checks. Include your name, address, and Social Security number. Keep in mind, IPERS allows the post office 15 working days to deliver your benefit check.

### IPERS MEMBER ADDRESS CHANGE FORM

(If change in name or beneficiary, please use IPERS Membership Information and Beneficiary Designation form.)

Please complete and return this form only if you have a change of address.

PLEASE PRINT IN INK OR TYPE

Your Social Security number:    -   -

Name: First \_\_\_\_\_ MI \_\_\_\_\_ Last \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ - \_\_\_\_\_

Phone: Home (    ) \_\_\_\_\_ Work (    ) \_\_\_\_\_

New Address Effective: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Mail to: IPERS or Fax to: (515) 281-0053  
PO Box 9117  
Des Moines IA 50306-9117

------(Cutting Line)-----

### AUTOMATIC ELECTRONIC DEPOSIT AUTHORIZATION

Your Social Security number:    -   -

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ - \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

☐ Checking ☐ Savings

ATTACH A DEPOSIT SLIP OR VOIDED CHECK HERE

I agree to allow IPERS to correct and recover electronic deposits of IPERS payments here-under if an error in calculation or other overpayment of IPERS benefits to which I am not entitled occurs, including but not limited to overpayments caused by death or legal incapacity.

# IPERS Membership Information and Beneficiary Designation Forms

By Michael Ahrens

**For New Members:** All new members **must** complete an IPERS Membership Information and Beneficiary Designation form. This completed form must be filed with IPERS so that an account can be established and maintained. Incomplete forms will be returned.

**For Current Members:** Current members (those with an investment with IPERS) should complete the form only when requesting changes in name or beneficiaries. If you are a current member and your name and beneficiary information are accurate, **do not** complete additional beneficiary forms. If you only need to change your address, please use our address change form, which you can file electronically on our web site, or notify us in writing. Be sure to include your name, SSN, old address, new address, and effective date of change. Review your annual statement and notify IPERS immediately if the designated beneficiary information needs to be corrected.

**For Retirees:** Retired members who chose Option 1, Option 2 or Option 5 may change beneficiaries by using the beneficiary designation form.

A beneficiary designation form is located in the back of the Retirement Planning Guidelines handbook. Forms are also available from employers, from IPERS directly, or from our web site. They may be faxed to 515-281-0053 or mailed to IPERS, PO Box 9117, Des Moines, IA 50306-9117. Please allow 4 to 6 weeks for processing. IPERS receives hundreds of beneficiary forms each month. We appreciate your efforts to help us process these forms accurately.

## Who Are We: The Composition of IPERS’ Membership

Continued from page 3

1. Because those with the lowest benefits *tend* to be those who retired longest ago (adjusting for those who had relatively few years of service or relatively low salaries alone), we proposed to the Legislature that there be another *permanent* adjustment to the base benefit level of all members who retired before July 1990 (when the formula begin increasing from a maximum of 50% to 60%). The 1998 General Assembly agreed and awarded 15% adjustments to those who had retired before July 1986 and 7% to those who had retired between July 1986 and July 1990.
2. Almost half of our retirees have begun their pension distributions since June 1990, yet until this year had received *no* postretirement adjustment to counter inflation. Because the pre-July 1990 members were now receiving annual Cost of Living Adjustments (COLA), we believed we needed to do something for the other 30,000 plus retirees. Thus we proposed, and the Legislature enacted, the *Favorable Experience Dividend (FED)*, the first payment from which was made in January 1999.

## Let Us Hear from *You* about *Your* Wishes for *Your* Plan

Numbers are, however, only part of the story. We also base plan design studies and recommendations on what our members tell us they need, or especially value, *or* find especially irritating about their IPERS’ plan. If you have some thoughts, or a proposal or two, please take a moment to drop me a line at IPERS.

## IPERS Investment Board

By Jennifer Dixon

At its September meeting, the IPERS Investment Board reviewed and made minor revisions to its Investment Policy and Goal Statement. This document governs the investment of IPERS funds, which as of June 30, 1999 totaled \$15,325,591,028. The Board’s long-term performance objectives include performance (net of fees) which both exceeds the rate of inflation (CPI) by 3% and exceeds the assumed actuarial rate of interest (7.5%). The Board is composed of nine members: Bruce Kelly (Chair), Senator John Kibbie (Vice-chair), Representative Mona Martin, Michael Logan, Kimberly Reynolds, Thomas Whitson, Dr. Sheila Riggs, Janet Adams, and Mollie Anderson. If you have questions about the IPERS investment program, feel free to contact the IPERS investment staff at 515-281-0030. If you would like to address comments on the investment program to Investment Board members, contact the investment staff for a list of Board member addresses.

Iowa Public Employees’ Retirement System  
600 East Court Avenue  
PO Box 9117  
Des Moines IA 50306-9117

Office Hours: 8:00 a.m. - 4:30 p.m.

Phone Center Hours: 7:30 a.m. - 5:00 p.m.  
800-622-3849  
515-281-0020

Winter 1999

Pensioners’ Post  
A Newsletter for the  
Retired Members of IPERS

Bulk Rate  
U.S. Postage  
PAID  
Des Moines Iowa  
Permit No. 1195

## Taxation of Contributions to IPERS

By Pam Bachof

We periodically receive inquiries about how a member’s cost (already taxed contributions) to IPERS is recovered. Prior to July 1986, most retirees recovered their cost within 1-3 years and then benefits were 100% taxable. Effective for members who began benefits in July 1986 and later, the IRS rules changed so that your cost is recovered over your expected lifetime. Your expected lifetime is determined by using life expectancy (actuarial) tables provided by IRS. We then divide your cost by the number of years you are expected to live to determine the taxable portion of your benefits. After you retire, information is mailed to you each January when you get your Form 1099-R.

IPERS contributions were all taxed for both state and federal income tax purposes prior to 1995. Effective January 1995, IPERS contributions became pretax for federal income tax purposes. Contributions became pretax for state income tax purposes effective January 1999. If you purchased military credit or service in another public retirement system or bought back an IPERS refund, you paid with already taxed money, so that investment goes into the already-taxed portion of your contributions for recovery over your lifetime. For more detailed information, please obtain IRS Publication 575.